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**TO: Economic Support Supervisors
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Training Staff
Child Care Coordinators
W-2 Agencies**

**FROM: Amy Mendel-Clemens
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BHCE/BWP OPERATIONS MEMO

No.: 03-80

Date: 12/29/2003

Non W-2 ☒ W-2 ☒ CC ☐

PRIORITY: HIGH

SUBJECT: EARNED INCOME, HOMESTEAD AND CHILD TAX CREDITS

CROSS REFERENCE: None

EFFECTIVE DATE: Immediately

PURPOSE

This memo reminds Wisconsin Works (W-2) Agencies, Economic Support (ES) Agencies and Workforce Development Boards and their providers of the importance of the federal and state Earned Income Credits (EIC), the Child Tax Credit and the Homestead Tax Credit as resources for low-income, working families and informs staff about free tax preparation assistance.

BACKGROUND

Agencies have been regularly reminded to inform W-2 applicants and recipients, economic support applicants and recipients and other low-income customers of the availability of tax credits for working families. The most significant of these is the Earned Income Credit (EIC). For 2003, the maximum federal credit is \$4,204 and the maximum state credit is \$1,807. Only about 75 percent of the families eligible for the EIC take advantage of this valuable credit. The amount of these credits is determined on a taxpayer's federal and state tax return forms. Workers who expect to be eligible for the credit in 2004 also may be eligible to receive part of the federal credit -- the **Advance Earned Income Credit** -- in each paycheck in 2004.

Also, many low-income working families will be eligible for the federal Child Tax Credit. The Child Tax Credit is a federal benefit worth up to \$1,000 for each dependent child under age 17. This credit is determined on federal tax forms 1040 or 1040A.

Finally, many low-income working families will qualify for the Wisconsin Homestead Credit. This credit is for both homeowners and renters. Households with incomes less than \$24,500 may be eligible for a credit up to \$1,160. People who reside in mobile homes or nursing homes who paid property taxes also may qualify. Taxpayers can claim this credit by filing the [Schedule H form](#). Along with the Schedule H, the claimant must attach a complete Rent Certificate if he/she rented their homestead or a copy of his/her 2003 property tax bill if he/she owned their homestead. Schedule H can be filed with a Wisconsin tax return or it can be submitted separately.

All of these credits are refundable, which means even families that earned too little to owe income tax can get the credits. Households would receive all or part of their credit as refund checks. Many low-income working families will qualify for all of these credits. Filers may be able to claim credits retroactively if they had failed to claim the credits on previous returns.

INTERNAL REVENUE SERVICE PILOT

The Internal Revenue Service plans to pilot test a new EIC tax form -- [Form 8836](#) -- during the coming tax filing season on 25,000 families nationwide that claimed the EIC on their 2002 tax returns. If the selected families claim a child on their 2003 tax return, they will be required to use this form to provide added proof that the child lived with them for more than half of 2003. The selected families will receive a notice and Form 8836 from the IRS in December. The IRS intends to send such notices to all EIC filers in these categories in future years, but is first testing whether the procedure and new form are effective in reducing errors in EIC claims and if the pilot families understand the requirements.

NOTE ➤ The only families that must complete Form 8836 are those who receive a notice from the IRS indicating they must do so. Other EIC claimants do not have to complete this form.

VOLUNTEER INCOME TAX ASSISTANCE PROGRAM

Statistics show that many low-income, working families pay commercial tax preparation services to prepare their returns or pay fees for "advances" on their refunds. However, the Volunteer Income Tax Assistance Program (VITA) offers free, basic tax preparation services to individuals with low incomes, individuals with disabilities, non-English speaking taxpayers and the elderly. In addition to free tax preparation, many VITA sites offer free electronic filing. Community volunteers staff VITA sites in order to provide free tax preparation services for people who may find it difficult to afford tax preparation.

For the location of a VITA site or other federal tax-related questions, call 1-800-829-1040. Current lists of VITA locations around Wisconsin will be maintained on <http://www.wisconsin.gov> and the Wisconsin Department of Revenue's web site at <http://www.dor.state.wi.us>.

ACTION REQUIRED

Staff need to be aware of these credits and educate customers concerning the value of these credits. Agencies should maintain self-help materials on EIC and refer individuals to the Internal Revenue Service's VITA site for free tax preparation assistance. If a customer is going to use a VITA service, remind them to bring appropriate documentation. The IRS suggests individuals bring their W-2 (wage and tax statement) forms from each employer, any additional income information, and the prior year's tax return (if any) to the VITA site.

In addition, agencies should inform potentially eligible individuals about the advance feature of the federal EIC. Agencies should explain that to claim the advance EIC workers simply need to fill out a [federal W-5](#) form and give it to their payroll department at work. Also, staff should be alert for families that receive the new pilot IRS Form 8836.

For details about the federal EIC see the IRS website at <http://www.irs.gov/individuals/article/0,,id=96466,00.html>

For more on the federal child credit see <http://www.irs.gov/pub/irs-pdf/p972.pdf>

For more on the Wisconsin EIC see the Wisconsin Department of Revenue website at <http://www.dor.state.wi.us/faqs/eic.html>

For more on the Wisconsin Homestead Credit see the Wisconsin Department of Revenue website at <http://www.dor.state.wi.us/faqs/home.html>

Earned Income Credits, Homestead Credit and Income Limits

Number of Qualifying Children	Federal EIC	Wisconsin EIC	EIC Income Limits (state and federal)	Wisconsin Homestead	Homestead Income Limits	Federal Child Credit
Zero	Up to \$382	\$0	Less than \$11,230 (\$12,230 for married workers)	Up to \$1,160	\$24,500	\$0
One	Up to \$2,547	Up to \$101	Less than \$29,666 (\$30,666 married)	Up to \$1,160	\$24,500	Up to \$1,000
Two	Up to \$4,204	Up to \$588	Less than \$33,692 (\$34,692 married)	Up to \$1,160	\$24,500	Up to \$2,000
Three or More	Up to \$4,204	Up to \$1,807	Less than \$33,692 (\$34,692 married)	Up to \$1,160	\$24,500	Up to \$1,000 per child

LINKS

Child Tax Credit: <http://www.irs.gov/pub/irs-pdf/p972.pdf>
Federal EIC: <http://www.irs.gov/individuals/article/0,,id=96466,00.html>
Form 8836: <http://www.irs.gov/pub/irs-fill/f8836.pdf>
Form W-5: <http://www.irs.gov/pub/irs-pdf/fw5.pdf>
Schedule H: <http://www.dor.state.wi.us/forms/2003/03i-016.pdf>
State of Wisconsin: <http://www.wisconsin.gov>
VITA Sites: http://www.uwex.edu/ces/econ/vita_03.html
Wisconsin Dept. of Revenue: <http://www.dor.state.wi.us>
Wisconsin EIC: <http://www.dor.state.wi.us/faqs/eic.html>
Wisconsin Homestead Credit: <http://www.dor.state.wi.us/faqs/home.html>

CONTACTS

BHCE CARES Information & Problem Resolution Center

Email: carpolcc@dhfs.state.wi.us
Telephone: (608) 261-6317 (Option #1)
Fax: (608) 267-2269

Note: Email contacts are preferred. Thank you.

DWD/DWS/BDS/DR